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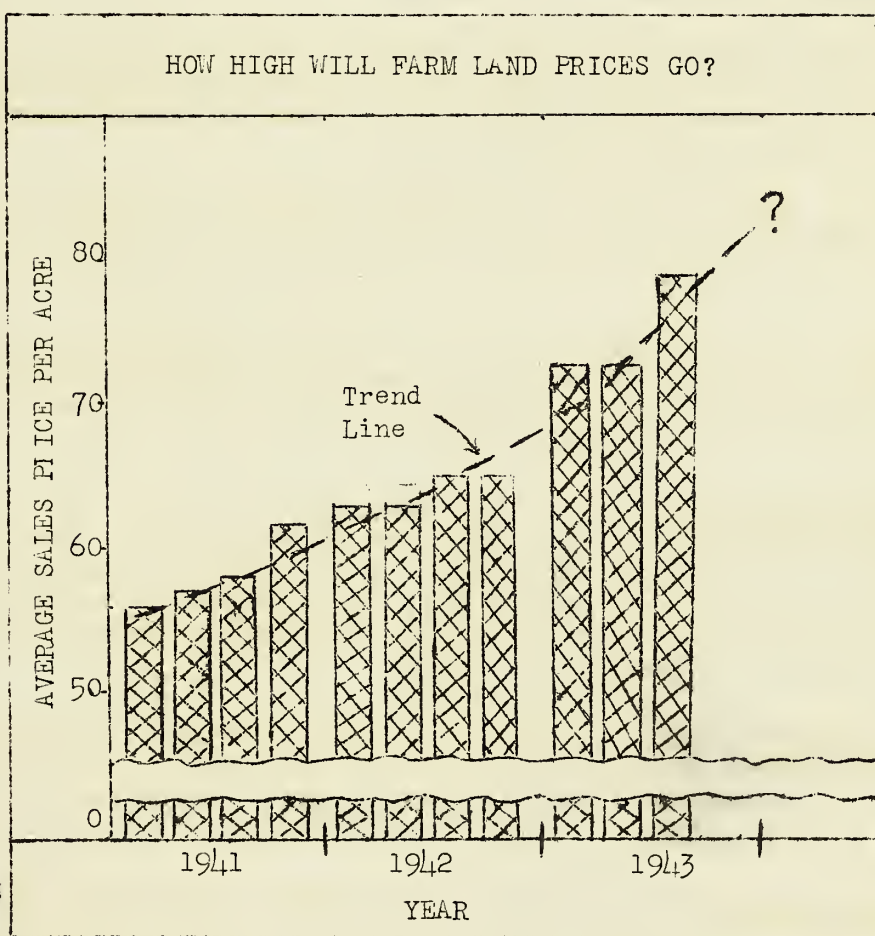
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UNITED STATES DEPARTMENT OF AGRICULTURE  
BUREAU OF AGRICULTURAL ECONOMICS

WARTIME LAND MARKET SURVEY IN THE  
NORTH CENTRAL REGION

Third Quarter 1943

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## Summary

Prices: In the North Central Region prices for farm land sold in the third quarter of 1943 were about 8 percent above the average for the previous three month period and about 21 percent above those of a year earlier. Sales prices are now about 41 percent above the January 1, 1941 level. Prices appear to have advanced more rapidly in the central and eastern than in the western part of the region.

Resales: About 7 percent of the lands which have been purchased in the last two and one half years have been resold by the purchaser. Resale prices indicated that the sale prices of these tracts advanced slightly more rapidly than the average sales price of all lands sold in the sample counties.

Volume: The volume of transfers continue to be higher than for 1941 or 1942. Volume was about double that for the comparable period in 1942 and 135 percent of that for 1941. Volume of transfers was lowest in the high value land areas.

Purchasers: Farmers purchased only 55 percent of the lands transferred in this quarter as compared to 63 percent for the same quarter of 1942.

Sellers: The proportion of the total sales of farmland by classes of sellers has remained about constant throughout 1943 with two-thirds of the sales being made by individuals and the remainder about equally divided between estates and corporations.

Mortgage Financing: For the first time since the start of the survey, over half of the transactions have been cash purchases. Mortgages were used to finance only 46 percent of the sales and contracts were obtained on 2 percent. Farm mortgage debt per acre on mortgaged properties continued to rise, averaging \$47 per acre as compared to \$46 per acre in the previous quarter.

Buyers Equities: Down payments on properties where a mortgage or contract was used in financing the sale increased to 41 percent of the sales price as compared to 39 percent in the previous quarter and 36 percent a year earlier.

Mortgage Lenders: The proportion of mortgage loans made by sellers rose to 40 percent of the total new mortgages. Individuals and Commercial Banks each made 35 percent of the other new mortgage loans. The proportion of new loans made by the Farm Credit Administration and Insurance Companies continued to decrease.

Mortgage Terms: Mortgage interest rates averaged 4.36 percent. However, over half of the loans bore interest rates of 5 percent or higher. Over half of the mortgage loans were made for 5 years or less and all loans averaged only about 7 years in length. Only 15 percent of the loans provide for full amortization and 32 percent require some regular payment on the principal.





Table 1. Average per acre price of farm real estate changing ownership in sample counties, by areas, 1941, 1942, and the first three quarters of 1943, North Central Region <sup>1/</sup>

Area <sup>2/</sup>	: No. of : : : 1943 quarters : Change						
	: sample : : : : : 3rd quarter						
	: counties: 1941: 1942: : : : 1943 over						
	: for : <sup>3/</sup> : : 1st : 2nd : 3rd : 3rd quarter						
	: 1942-43 : : : : <sup>4/</sup> : : 1942						
	Number	Dollars					Percent
<u>CORN BELT AREAS</u>	17	89	98	112	110	119	19
Central Indiana-Ohio	5	82	87	98	100	96	5
Illinois-Indiana Cash Grain	3	124	139	144	153	167	17
Illinois-Iowa Livestock	3	84	93	106	113	120	26
Central and Northern Iowa	4	84	94	118	104	118	30
Western Iowa	2	67	68	79	75	82	5
<u>CORN BELT FRINGE AREAS</u>	19	48	53	62	63	64	14
Toledo General Farming	3	69	76	96	89	90	20
Kankakee River	2	53	58	70	68	74	30
Lower Wabash River	2	38	44	49	54	58	23
Missouri Putnam Soils	2	21	24	30	26	33	27
Iowa-Missouri Pasture	2	29	34	32	31	38	31
Maryville-Greenfield Livestock	2	54	53	55	60	64	8
Southern Minnesota	3	5/	60	75	85	81	33
LaCrosse-Dubuque Livestock	3	5/	50	52	57	44	- 31
<u>DAIRY AREAS</u>	8	68	72	87	81	94	32
Northeastern Ohio	2	70	79	80	88	94	27
Lake Michigan	4	71	76	99	85	102	38
East St. Louis	2	54	51	57	60	66	22
<u>GENERAL FARMING AREAS</u>	10	24	25	27	27	30	30
Southeastern Ohio	2	25	28	29	26	26	4
Southeastern Indiana	2	22	22	33	33	31	41
Southwestern Missouri Plains	2	29	26	30	32	42	50
Central Minnesota-Wisconsin	2	5/	22	24	27	31	48
Red River Valley	2	5/	24	26	24	28	33
<u>MISSOURI-ILLINOIS COTTON AREA</u>	1	78	93	94	117	155	52
REGIONAL TOTAL	55	60	64	73	73	79	21

<sup>1/</sup> Prices are from recorded farm real estate transfers in sample counties and are the averages for the transfers for which adequate information concerning price and acreage was available. Only bona fide sales were included. 1941 and 1942 prices represent transfers dated and recorded within the year, whereas 1943 prices represent only those transfers for which buyer or seller reported the date of the agreement for sale to be within the quarter or the preceding month. The names of sample counties are given in the Appendix.

<sup>2/</sup> Areas and subareas are given weights in averages according to their size.

<sup>3/</sup> For 33 sample counties only.

<sup>4/</sup> Revised.

<sup>5/</sup> Not available.



WARTIME LAND MARKET SURVEY 1/  
Third Quarter, 1943 2/ -

Introduction

The current land market conditions closely resemble the situation at the outbreak of the land values boom of 1919-1920. Land prices are rising rapidly. Again we find farmers and city people bidding against each other and among themselves for farm land. Farm incomes have reached a new peak as they did in 1919. Demand for farm products again exceeds output, and the outlook is for at least two or three years of continued high demand. There are far more potential buyers than willing sellers at current prices. Many of the farm sellers are selling with the intention of purchasing other land. Both farmers and city people are mortgaging the property they buy and other property which they own in order to acquire title to more land. Over half of the new mortgages are being made for terms of five years or less. One half of the new mortgage loans bear 5 to 8 percent interest rates, and the average mortgage debt per acre on newly mortgaged farm land is increasing.

It appears that the results of the land boom of 1919-1920 have been forgotten or are being ignored by a new generation of land buyers attracted to farm land by the current high incomes and the chance for large profits. Some of the demand for farm land also comes from people wishing to change their investments from equities to real property as a hedge against inflation resulting from wartime spending and from demands of pressure groups interested in improving their relative position in the national economy. Still other purchasers want land as a home and a place of security in case of what they expect to be a severe post-war depression. Many other potential land purchasers who now have high wartime incomes want to purchase farms as "retirement homes" for after the war. Most dangerous of all, however, are the farmers and city people who wish to buy land with hopes of making a "big profit" either from resale of the land or from continued high farm incomes. Too many people, especially in this latter group, are able to pay only a small part of the purchase price and are mortgaging this land (and sometimes other property as well) for most of the purchase price.

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- 1/ Assistance in collecting and tabulating the data for this survey was provided by members of the departments of agricultural economics in Illinois, Indiana, Iowa, Missouri, Minnesota, and Ohio, and by members of the B.A.E. staff.
  - 2/ This report is the seventh in a series presenting current information on farm real estate activity in selected counties in the North Central Region. The data include only bona fide sales transfers and were obtained from deed and mortgage records in local county recorders' offices. The information on buyers and sellers was obtained primarily from mail questionnaires and was supplemented in some counties by information from local people. A list of sample counties is given in the Appendix.

Current conditions indicate that unless immediate steps are taken to strengthen public confidence that the government will prevent further general inflation, a further boom in land values appears imminent and inevitable. Special legislation to control land values will most likely fail unless it is included in a much broader program for stabilizing our entire national price structure.

### Land Prices Rising Rapidly

The average sales price of farm lands sold in the third quarter of 1943 in the sample counties of the North Central Region was 8 percent above the level for the previous quarter and 21 percent above the level of a year earlier. The greatest increases in price occurred in the Cotton, Dairy, and General Farming areas. (Table 1)

Twenty one of the twenty two subareas had higher average sales prices than a year ago and in nine of these subareas the sales prices were 30 percent or more above the level of a year earlier. Land prices in livestock areas appear to have advanced more rapidly than in grain farming areas. A large percent of the land in the best cash grain and livestock farming areas is now selling at over \$200 per acre for high quality, unimproved land. An unimproved 160-acre tract in Knox County, Illinois was sold for \$275 per acre while an 80-acre tract in Champaign County, Illinois was reported to have been sold for \$285 per acre.

### Few Resales of Farm Land 3/

A study of the rapidity of resales and of the changes which occur in sales prices between sales serves as one method of measuring changes in the amount of speculative activity and price level in the land market. A high and increasing number of quick resales indicates an increase in speculation, and high profits on such resales often cause a bullish effect in the land market far outweighing their importance as measured by volume.

Records of tracts of farm land sold two or more times since January 1, 1941 in 15 sample counties indicate that about seven percent of the lands purchased within the period in these sample counties were resold by the purchasers. 4/ Only 12 out of about

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3/ Legal descriptions were compared for all farm land transfers in the sample counties to determine which tracts had changed hands more than once during the two and one-half year period. Purchase and sales prices were used in determining the change in price or gross profit of the seller. It should be recognized that sales costs have not been taken into account in computing profit.

4/ See Appendix for a list of the 15 counties included in this special summary.



5,000 tracts changing hands were resold twice in the period and none was transferred more than twice. This compares with about 14 percent of all land in farms changing hands at least once during this period. The rate of resale in the first half of 1943 was above the rate for 1941 but below the 1942 level. (Table 2)

Table 2. Number of resales of farm land purchased since January 1, 1941, 15 sample counties, North Central Region, 1941-1943

Date of resale in:	:	Total :	sales	Number of resales by months between purchase and resale				
				0 - 6	7 - 12	13-18	19-24	25-36
1st half 1941	:	1099	:	25	:	:	:	:
2nd half 1941	:	941	:	26	:	16	:	:
1st half 1942	:	1134	:	54	:	23	:	7
2nd half 1942	:	718	:	28	:	19	:	16
1st half 1943	:	1442	:	50	:	24	:	23
	:		:		:		:	19
	:		:		:		:	12

Tracts purchased and resold were usually resold within six months or a year. While a few resales were made at a loss, the average indicates an increase in sales price of 25 percent for purchases held for one year or more. The rate of increase in values is best indicated by the increase in sales price of tracts held six months or less. These were sold for an average of five percent above the purchase price for those resold in 1941, 10 percent for those resold in 1942, and 17 percent for those resold during the first half of 1943. (Table 3)

Table 3. Percentage increase in the value of tracts purchased and resold since January 1, 1941, 15 sample counties, North Central Region, 1941-1943

Date of resale in:	:	Total :	sales	Percentage profit on resales by months between purchase and resale				
				0-6	7-12	13-18	19-24	25-36
1st half 1941	:	1099	:	5	:	:	:	:
2nd half 1941	:	941	:	5	:	11	:	:
1st half 1942	:	1134	:	10	:	18	:	8
2nd half 1942	:	718	:	9	:	30	:	19
1st half 1943	:	1442	:	17	:	21	:	25
	:		:		:		:	25
	:		:		:		:	23

Table 4. Average number of recorded voluntary farm real estate sales per sample county 1942, and first three quarters of 1943, North Central Region <sup>1/</sup>

Area	1942 quarters				1943 quarters		
	1st	2nd	3rd	4th	1st	2nd <sup>2/</sup>	3rd
Number							
<u>CORN BELT AREAS</u>	43	20	17	17	54	39	22
Central Indiana-Ohio	39	31	25	30	66	50	39
Illinois-Indiana Cash Grain	41	17	20	19	48	27	18
Illinois-Iowa Livestock	47	23	16	16	53	30	13
Central and Northern Iowa	45	16	12	11	49	40	18
Western Iowa	40	14	16	9	62	50	23
<u>CORN BELT FRINGE AREAS</u>	48	20	13	25	53	42	29
Toledo General Farming	46	21	15	32	46	51	26
Kankakee River	39	26	15	21	36	26	20
Lower Wabash River	29	25	13	29	50	44	40
Missouri Putnam Soils	58	30	16	28	60	42	32
Iowa-Missouri Pasture	66	21	12	34	86	48	32
Maryville-Greenfield Livestock	95	16	18	18	97	69	44
Southern Minnesota	24	16	10	16	18	30	25
LaCrosse-Dubuque Livestock	40	15	9	23	50	35	25
<u>DAIRY AREA</u>	40	32	22	28	39	47	38
Northeastern Ohio	50	58	28	42	54	69	57
Lake Michigan	42	24	20	26	36	39	30
East St. Louis	22	26	22	18	31	45	38
<u>GENERAL FARMING AREAS</u>	38	28	27	36	43	57	46
Southeastern Ohio	33	29	20	30	40	75	62
Southeastern Indiana	34	31	32	30	45	49	54
Southwestern Missouri Plains	47	36	34	54	90	88	72
Red River Valley	22	14	16	27	20	27	14
Central Minnesota-Wisconsin	66	46	51	48	54	73	67
<u>MISSOURI-ILLINOIS COTTON AREA</u>	34	15	13	42	15	19	17
REGIONAL AVERAGE	43	23	16	26	49	45	31

<sup>1/</sup> Deeds dated and recorded within the same quarter for 1942. The 1943 numbers include in addition deeds dated in the preceding month but recorded in that quarter of 1943.

<sup>2/</sup> Revised.

These data appear to indicate that the price of tracts resold advanced only slightly more rapidly than the average of all lands sold in the region. The price of tracts purchased in the first half of 1941 and resold about a year later increased an average of 12 percent compared to an increase in average sales price of 10 percent. Sales price of tracts purchased in the first half of 1942 and resold about a year later increased 21 percent compared to a 16 percent increase in general sales price. Since most purchases which are resold are at least partially the result of purchases at below average price or sales at above average price, it would appear normal to expect the margin between purchase and sales price on land resold to be somewhat greater in both periods than the actual average increase in land values.

### Volume Remains High

The volume of farm land sales was about double that for the comparable period in 1942 and about 35 percent above the 1941 level. The usual seasonal decline in the number of sales was apparent, but the volume throughout 1943 continues to be at higher levels than for either 1941 or 1942. (Table 5)

Table 5. Average number of farm land transfers per county, by quarters, sample counties, North Central Region

Year	Quarters			
	1st	2nd	3rd	4th
	(Number)			
1941	36	22	23	29
1942	43	23	16	26
1943	49	45	31	

The greatest increase in volume of transfers was in the counties with land values below the average for the region. In those areas where land values are high and have made the greatest advances, the volume of sales has fallen markedly. (Table 4) The volume of transfers was slightly lower than in the previous quarter in all the major areas with the greatest drop occurring in the Corn Belt areas.

### Fewer Purchases by Farmers

Farmers purchased 55 percent of the tracts of farm land changing hands during the third quarter of 1943 in the 55 sample counties as compared to 63 percent in the comparable quarter of 1942. The increase in the proportion of properties purchased by non-farmers was greatest in the dairy areas where nearly two fifths of the nonfarmer-purchasers expressed their intention of operating the land which they had purchased. (Table 6)



Table 6. Farmers and nonfarmers buying farms and their intentions to operate or lease to others, third quarter 1943, North Central Region

Area	Total : transfers: :classified:	Farmer		Nonfarmers	
		To	:To lease:	To	:To lease
		operate	: to	operate	: to
		: others	:	: others	:
	Number	Percent			
<u>CORN BELT AREAS</u>	314	46	6	8	40
Central Indiana-Ohio	160	61	5	9	25
Illinois-Indiana Cash Grain	42	28	21	9	42
Illinois-Iowa Livestock	28	28	6	6	60
Central and Northern Iowa	38	49	0	10	41
Western Iowa	46	66	7	0	27
<u>CORN BELT FRINGE AREAS</u>	327	53	10	9	28
Toledo General Farming	42	34	17	21	28
Kankakee River	30	56	6	8	30
Lower Wabash River	46	61	5	8	26
Missouri Putnam Soils	52	42	10	16	32
Iowa-Missouri Pasture	43	60	7	4	29
Maryville-Greenfield Livestock	42	52	8	4	36
Southern Minnesota	40	67	16	6	11
LaCrosse-Dubuque Livestock	32	43	8	4	40
<u>DAIRY AREAS</u>	209	42	2	21	35
Northeastern Ohio	52	41	2	34	23
Lake Michigan	95	41	0	19	40
East St. Louis	62	46	9	11	34
<u>GENERAL FARMING AREAS</u>	286	46	5	15	34
Southeastern Ohio	78	33	7	17	43
Southeastern Indiana	84	49	3	18	30
Southwestern Missouri Plains	42	55	2	3	40
Central Minnesota-Wisconsin	68	44	3	25	28
Red River Valley	14	56	11	0	33
<u>MISSOURI-ILLINOIS COTTON AREA</u>	16	56	25	0	19
REGIONAL TOTAL	1152	48	7	11	34

The proportion of land purchased by non-operators and nonfarmers is the largest found for any quarter since the beginning of the survey in 1941. The trend in 1943 and previous years appears to indicate a gradual and continuing increase in the proportion of farm property purchased to lease. (Table 7)

Table 7. Proportion of tracts of farm land purchased, by occupation and intent of purchaser, sample counties, North Central Region, 1943

1943	Farmers		Nonfarmers	
	To operate	To lease to others	To operate	To lease to others
	(Percent)			
1st quarter	60	7	8	25
2nd quarter	54	7	10	29
3rd quarter	48	7	11	34

Answers to questionnaires indicate that a part of the purchases by nonfarmers who are going to operate the land and of the purchases by farmers to operate with family labor or to lease to relatives was made with the intent of placing the operator or a member of his family in a job which is considered as "essential and deferrable" by local selective service officials. On the basis of these replies, it would appear that any change in the regulations with regard to the deferrability of farm operators may have an effect on the demand for land.

#### Farm Land is Being Purchased for Soldiers

Answers to questionnaires indicate that already a number of soldiers discharged by the Army have purchased farms. Some soldiers still in the Army have also purchased farm land with savings and through allotments of their pay. In addition, a large number of the farmer-parents of soldiers have purchased farms for the use of their sons when they return after the war. It appears that an important part of the demand for farms for the use of soldiers after the war is a current demand rather than a post-war demand.

If the government is to encourage and assist farm boys or others now in the Armed Forces to obtain farms in areas where suitable farms are available, it would appear imperative to start such a program immediately. Many soldiers now in the Army would profit by government assistance (through loans and advice) in financing farm purchases which they are currently making or are currently being made for them. By limiting the land purchasers eligible for special soldier loans to those purchases of farms which meet desirable size, income-producing ability, and are at prices commensurate with income, the government may be able to help many soldiers to avoid paying too much for land, paying excessive financing charges, and settling on undesirably located and unproductive farms.

Table 8. Types of owners selling farms, third quarter 1943, North Central Region

Area	Type of seller					
	Total	Owner	Non-	Unclass-	Corpor-	
	transfers	oper-	farmer	ified	Estates	ations
	classified	ator	indiv-	uals	and	gov't.
	Number	Percent				
<u>CORN BELT AREAS</u>	403	13	39	12	19	17
Central Indiana-Ohio	193	25	35	7	17	16
Illinois-Indiana Cash Grain	54	13	46	9	26	6
Illinois-Iowa Livestock	40	15	50	15	15	5
Central and Northern Iowa	70	7	31	19	16	27
Western Iowa	46	7	35	0	30	28
<u>CORN BELT FRINGE AREAS</u>	547	15	31	23	15	16
Toledo General Farming	79	15	27	34	20	4
Kankakee River	39	26	33	15	18	8
Lower Wabash River	80	23	37	14	9	17
Missouri Putnam Soils	65	34	32	15	8	11
Iowa-Missouri Pasture	65	8	39	18	3	32
Maryville-Greenfield Livestock	88	11	26	18	16	29
Southern Minnesota	76	18	25	41	13	3
LaCrosse-Dubuque Livestock	55	5	35	14	24	22
<u>DAIRY AREAS</u>	309	27	32	21	14	6
Northeastern Ohio	113	19	19	48	12	2
Lake Michigan	120	33	33	14	14	6
East St. Louis	76	16	47	12	14	11
<u>GENERAL FARMING AREAS</u>	507	14	27	25	17	17
Southeastern Ohio	123	18	28	30	23	1
Southeastern Indiana	108	35	32	16	13	4
Southwestern Missouri Plains	145	10	22	42	9	17
Central Minnesota-Wisconsin	104	15	30	11	14	30
Red River Valley	27	8	22	33	22	15
<u>MISSOURI-ILLINOIS COTTON AREA</u>	17	41	59	0	0	0
REGIONAL TOTAL	1783	16	33	19	17	15



### No Change in Type of Sellers

For the region as a whole, the proportion of the sales of farm land made by the various categories of sellers was practically the same as for the previous quarter with two thirds of the sales being made by individuals. (Table 8) Compared with a year earlier, the percent of the sales by estates fell from 19 to 17, and the percent made by corporations fell from 17 to 15. Non-operators made about two thirds of the sales by individuals in the third quarter of 1943 as compared to about three fifths made by this group in the comparable period of 1942.

Sales by owner-operators again were heaviest in the Dairy and Cotton areas and lowest in the Corn Belt areas. The proportion of the total sales by individuals who were landlords increased in all but the Dairy areas. The proportion of the sales of land by retired farmer-landlords appears to be increasing while sales by non-resident absentee landlords are decreasing in number. The proportion of the sales by estates and corporations increased slightly in Dairy and General Farming areas but fell in all other areas.

### Most Farmers Selling Land Will Continue Farming

Over half of the owner-operators who sold the land which they had previously been farming expect to continue farming. A decreasing proportion (10 percent as compared to 14 percent last quarter) sold their land in order to take up work in other civilian occupations and only one percent sold out in order to join the Armed Forces. (Table 9)

Table 9. Intention of owner-operators who recently sold land, sample counties, third quarter 1943, North Central Region

Area	: Intent of owner-operators after selling land			
	: Continue:	Work at other	: In Armed:	Retire
	: to farm	: civilian occupations:	Forces	:
	Percent			
Corn Belt Areas	48	11	2	39
Corn Belt Fringe Areas	56	6	0	38
Dairy Areas	44	8	0	48
General Farming Areas	50	14	1	35
Cotton Area	72	14	0	14
REGION	51	10	1	38

Table 10. Proportion of cash purchases, cash and mortgage purchases, and purchases by contract and equity of buyers in purchased properties North Central Region, third quarter 1943

Area	: Total : Method of financing : Buyer's equity		: transfers: : Cash : Purchase: In mort-: In all		: classi- : Cash : and : con- : gaged : proper-		: fied : sales: mort-: tracts : proper- : ties		: : : gage : : ties 1/ : dedeed	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<u>CORN BELT AREAS</u>	401	50	48	2	44	68				
Central Indiana-Ohio	193	38	61	1	38	59				
Illinois-Indiana Cash Grain	54	78	22	0	49	89				
Illinois-Iowa Livestock	40	57	43	0	48	72				
Central and Northern Iowa	70	40	57	3	45	63				
Western Iowa	44	48	48	4	34	58				
<u>CORN BELT FRINGE AREAS</u>	542	49	48	3	39	63				
Toledo General Farming	79	46	54	0	37	58				
Kankakee River	39	33	67	0	61	69				
Lower Wabash River	80	61	39	0	53	76				
Missouri Putnam Soils	63	44	56	0	39	66				
Iowa-Missouri Pasture	62	48	50	2	26	53				
Maryville-Greenfield Livestock	88	65	27	8	38	76				
Southern Minnesota	76	50	45	5	34	60				
LaCrosse-Dubuque Livestock	55	46	47	7	35	57				
<u>DAIRY AREAS</u>	309	50	50	0	46	68				
Northeastern Ohio	113	54	46	0	47	76				
Lake Michigan	120	44	56	0	45	61				
East St. Louis	76	66	34	0	48	81				
<u>GENERAL FARMING AREAS</u>	507	60	38	2	36	70				
Southeastern Ohio	123	69	31	0	43	74				
Southeastern Indiana	108	47	53	0	48	71				
Southwestern Missouri Plains	145	56	43	1	37	65				
Central Minnesota-Wisconsin	104	54	40	6	30	66				
Red River Valley	27	67	33	0	36	76				
<u>MISSOURI-ILLINOIS COTTON AREA</u>	17	47	53	0	36	52				
<u>REGIONAL TOTAL</u>	1776	52	46	2	41	67				

1/ Includes purchase contracts.

### Many Sellers Intend to Purchase Other Land

From answers received to questionnaires, it appears that about one half of the farmers who recently sold land and who expect to continue farming expressed the intention of purchasing other land to replace that sold. Many of the nonfarmers who sold one or more tracts of land also expressed the desire to purchase other farm land.

It appears highly disadvantageous for farmers or others to undertake to change property holdings at this time since, in most cases, they will find it necessary to pay more for land which they purchase than they obtained for the land which they sold. Such trading of farms is also likely to have a decidedly inflationary effect in the land market.

### Farms Held on Average of 13 Years 5/

A group of 84 persons who sold land in 1943 giving information on how and when they acquired the farm land which they had recently sold reported that on the average they had held the farms about 13 years. Of this limited sample, two were acquired prior to 1900, nine prior to 1917, and 23 prior to 1927. Of the group of properties acquired prior to 1922, 12 of the 19 were reported to have been acquired through purchase by the seller. Of the property acquired in the period 1927-1930, however, only one half of the lands recently sold had been purchased by the seller and since 1936, 22 out of 35 tracts sold had been purchased by the seller.

Persons selling land acquired between 1900 and 1926 generally sold their land for less than the purchase price, while nearly all of the persons selling land which they had purchased since 1927 showed some profit on the sales. Ten sales of land purchased in 1941 or since showed an average increase in sales price of 18 percent compared to an average increase of 25 percent on 12 sales of land purchased in the period 1936-1940.

### More Cash Sales

For the first time since the start of the survey, over half of the purchasers were able to pay for the land they bought without borrowing on the land. (Table 10) The proportion of the total purchases which were paid for without mortgage or contract financing

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5/ It is hoped that questionnaires will make it possible to obtain more adequate information on the relationship between type of people selling land, method of acquisition, and how long people hold title to farm property. As larger samples of such transfers with purchase date and price become available, they may provide additional information on trends of farm real estate prices.



Table 11. Relative extent of use of purchase money mortgages and sources of other new mortgage credit, third quarter 1943, North Central Region <sup>1/</sup>

Area	Purchase money mortgages: 2/	Other new mortgages by				
		Individ-	FLB	Insur-	Com-	FSA
		uals	& LBC	ance co.	mercial banks	and others
		Percent				
<u>CORN BELT AREAS</u>	40	17	5	20	16	2
Central Indiana-Ohio	31	10	6	12	36	5
Illinois-Indiana Cash Grain	40	17	13	23	7	0
Illinois-Iowa Livestock	54	9	4	29	4	0
Central and Northern Iowa	35	29	0	19	13	4
Western Iowa	47	5	5	19	24	0
<u>CORN BELT FRINGE AREAS</u>	45	20	4	4	23	4
Toledo General Farming	24	17	0	6	53	0
Kankakee River	64	4	7	4	21	0
Lower Wabash River	50	20	0	0	30	0
Missouri Putnam Soils	32	45	0	0	23	0
Iowa-Missouri Pasture	65	10	0	0	13	12
Maryville-Greenfield Livestock	68	24	0	4	4	0
Southern Minnesota	36	35	2	7	20	0
LaCrosse-Dubuque Livestock	33	13	21	4	17	12
<u>DAIRY AREAS</u>	31	22	2	3	29	13
Northeastern Ohio	30	13	0	0	28	29
Lake Michigan	31	31	2	5	22	9
East St. Louis	32	0	4	0	57	7
<u>GENERAL FARMING AREAS</u>	38	27	1	0	22	12
Southeastern Ohio	34	10	0	0	8	48
Southeastern Indiana	35	12	3	0	47	3
Southwestern Missouri Plains	41	23	6	0	30	0
Central Minnesota-Wisconsin	20	8	0	0	70	2
Red River Valley	50	50	0	0	0	0
<u>MISSOURI-ILLINOIS COTTON AREA</u>	16	50	17	0	17	0
<u>REGIONAL TOTAL</u>	40	21	4	8	21	6

<sup>1/</sup> Percentages of total number of new mortgages on tracts conveyed.

<sup>2/</sup> Includes contracts.

has risen from 35 percent in the first half of 1942 to 52 percent for the third quarter of 1943. The highest proportion of cash sales continued to be in the General Farming areas where 60 percent were purchased for cash in the current quarter as compared to 53 percent in the previous quarter. There appears to have been little change in the proportion (2 percent) of purchases in the Region made on contract.

#### Buyers' Equities Continue Up

Purchasers of land in the third quarter of 1943 made payments equal to a two-thirds equity in all land changing hands, the highest since the start of the survey in 1941. Equities of buyers in properties where the purchase was partially financed by a mortgage or contract also increased to a new high of 41 percent of the purchase price as compared to 39 percent in the previous quarter and 35 percent for the first half of 1942. Much of the increase in equities results from the increased purchases by non-farmers plus higher farm incomes and the resulting increased savings by farmers.

#### More of Mortgage Loans by Individuals

Sellers of land retained mortgages in part payment for 19 percent of the farm land sold in the third quarter of 1943 as compared to 15 percent in the second quarter and 19 percent in the first quarter of 1943. Of the new mortgage loans made by others than the sellers, individuals and commercial banks each made 35 percent of the total. (Table 11) This is an increase from 25 percent made by individuals and a decrease from 41 percent made by commercial banks in the previous quarter. The proportion of the new loans made by insurance companies decreased slightly while the new loans by the Federal Land Bank and Land Bank Commissioner decreased from 11 percent in the previous quarter to a low of 7 percent of the total in the third quarter of 1943. An increase in the number of farm mortgage loans by Savings and Loan Associations was especially noticeable in the general farming areas.

While lenders appear to be generally making loans for a somewhat lower proportion of the total purchase price, the amount loaned per acre rose to an average of about \$47 per acre as compared with \$46 in the second quarter and \$45 in the first quarter of 1943.

#### Current Mortgage Terms

The many changes which have already occurred in the land market have been accompanied by equally significant changes in the methods of mortgage financing. Several studies of mortgage terms have been made in the past and will serve as a basis for comparisons with the

information obtained currently in the 15 sample counties included in this special study. <sup>6/</sup> Similar checks from time to time will make possible the establishment of a trend in the terms of mortgage financing.

Interest Rates: <sup>7/</sup> Interest rates on farm mortgage loans appeared to be highest in the southern and eastern parts of the Region, ranging from an average of 5.28 percent in Johnson County, Missouri and 5.03 percent in Wayne County, Ohio to 3.73 percent for Steele County, Minnesota. The average interest rate for the 141 loans was 4.36 percent. (Table 12)

Table 12. Proportion of new farm land mortgages made at various interest rates, by type of lender, 11 sample counties, third quarter 1943, North Central Region

		:Loans with: Percent of total loans of each type of lender : interest : by interest rates									
		: rate : given	: 2%	: 3%	: 3½%	: 4%	: 4½%	: 5%	: 6%	: 7%	: 8%
	Number										
Individuals	68		6	3	10	35	3	17	22	2	2
Commercial banks	43		-	-	-	23	7	33	37	-	-
Insurance companies	15		-	-	-	60	20	20	-	-	-
Savings and Loan Assoc.	8		-	-	-	-	-	-	100	-	-
FLB & LBC	5		-	-	-	80	-	20	-	-	-
Others	2		-	-	-	100	-	-	-	-	-
TOTAL	141		3	1	5	35	6	21	27	1	1

The fact that half of these farm mortgages bear an interest rate of five percent or above indicates that borrowers on farm land are still not taking advantage of many possibilities for obtaining loans at lower interest rates.

Large mortgage loans were generally made at lower interest rates than small loans. (Table 13)

<sup>6/</sup> See Appendix for a list of counties included.

<sup>7/</sup> -Weighted by size of loans.



Table 13. Average size of loans made at various interest rates, by type of lender, 11 sample counties, third quarter 1943, North Central Region

Type of lender	Average size of new mortgage loans, by interest rate groups								
	2%	3%	3½%	4%	4½%	5%	6%	7%	8%
	Average dollars per loan								
Individuals	5250	8750	4600	5620	3250	3842	1955	400	400
Commercial banks	-	-	-	11952	4167	4271	2153	-	-
Insurance companies	-	-	-	15378	6500	4167	-	-	-
Savings and Loan Assoc.	-	-	-	-	-	-	4725	-	-
FLB & LBC	-	-	-	3000	-	1800	-	-	-
Other	-	-	-	2500	-	-	-	-	-
ALL LOANS	5250	8750	4600	8364	4812	4007	2604	400	400

Interest rates on loans by individuals averaged 4.12 percent compared to 4.6 percent for loans by commercial banks, 4.13 percent for loans by insurance companies, 6.0 percent for savings and loan associations, 4.13 percent for the Farm Credit Administration 8%, and 4.0 percent for others.

Length of Mortgage: The majority of the borrowers on farm land mortgages appear also to ignore the advantages of long-term mortgages. The new mortgage loans averaged seven years in length with 62 percent being made for five years or less. Loans by individuals averaged only 4.98 years compared to 5.08 years for loans by commercial banks and 13.4 years for those made by insurance companies. (Table 14)

Table 14. Proportion of new farm mortgages made for various lengths of time, by type of lender, 11 sample counties, third quarter 1943, North Central Region

Type of lender	Total cases	Length of mortgage						Monthly payments until paid in full
		1 year or less	2, 3, or 4 years	5 years	6, 7, 8, or 9 years	10 years	Over 10 years	
	Number	Percent						
Individuals	64	9	20	50	2	9	2	8
Commercial banks	39	8	23	46	3	15	0	5
Insurance companies	18	0	0	5	0	28	67	0
Savings and Loan Assoc.	7	0	14	0	0	0	0	86
FLB & LBC	5	0	0	0	0	20	80	0
Other	3	0	33	0	0	67	0	0
TOTAL	136	7	17	38	1	15	13	9

8/ Contracted rate.

From these data it would appear that a majority of farm land mortgages will come due and, in most cases, have to be refinanced in the period immediately following the war when terms for refinancing might be much less favorable than at present. This is emphasized still further by the fact that few of the mortgage loans for five years or less carry any amortization plan or require any regular payments on the principal. There appears to be little relationship within lender groups between the size and length of loans.

Amortization Requirements: Only 15 percent of the mortgage loans made in the sample areas provided for full amortization and these were for the most part the loans for 10 years or more made by the insurance companies, savings and loan associations and Federal credit agencies. (Table 15)

Table 15. Arrangements for repayment of principal included in new farm mortgages, by type of lender, 11 sample counties, third quarter 1943, North Central Region

Type of lender	Percent of total mortgages		
	No payment required	Some regular payment on principal required	Full amortization provided
		Percent	
Individuals	72	19	0
Commercial banks	51	42	7
Insurance companies	32	68	0
Savings and Loan Assoc.	0	12	88
FLE & LBC	0	0	100
Other	33	67	0
TOTAL	53	32	15

While 53 percent of the loans required no payment on the principal during the life of the loan, in nearly all cases the borrower had the privilege of making payments on the principal at the time the interest is due and paid. In a few cases, however, payments on principal were limited, prohibited, or a penalty payment required for advanced payments. The third of the mortgage loans which provided that the borrower must make regular payments on the principal and which reduced but did not wipe out the mortgage debt during the life of the mortgage were most commonly made by commercial banks and insurance companies. These loans were usually for 5 or 10 years and were above average size. The loans with no regular payments on principal required during the life of the loan averaged \$3,823 compared to \$6,569 for partially amortized loans and \$6,746 for loans completely amortized.

It appears that present farm land purchasers have learned little from the experiences of a generation earlier. Many of them are again willing to borrow at high interest rates and for short periods and take a chance on paying off or refinancing the loan when it comes due. A rapid drop in farm land and farm commodity prices would place many of these borrowers in a distressed condition.

APPENDIX

Major Land Value Areas and Sample Counties

Corn Belt Areas

Central Indiana-Ohio

- Grant County, Indiana
- \*\*Rush County, Indiana
- \*Tippecanoe County, Indiana
- Darke County, Ohio
- Madison County, Ohio

Illinois-Indiana Cash Grain

- \*\*Champaign County, Illinois
- Livingston County, Illinois
- Logan County, Illinois

Illinois-Iowa Livestock

- \*\* \*Knox County, Illinois
- Ogle County, Illinois
- \*\*Cedar County, Iowa

Central and Northern Iowa

- Benton County, Iowa
- Cerro Gordo County, Iowa
- \*Palo Alto County, Iowa
- \*Story County, Iowa

Western Iowa

- \*\*Crawford County, Iowa
- Montgomery County, Iowa

Corn Belt Fringe Areas

Toledo General Farming

- Adams County, Indiana
- \*\*Putnam County, Ohio
- \*Seneca County, Ohio

Kankakee River

- Noble County, Indiana
- \*Newton County, Indiana

Lower Wabash River

- Knox County, Indiana
- Parke County, Indiana

Missouri Putnam Soils

- \*\* \*Audrain County, Missouri
- Monroe County, Missouri

Iowa-Missouri Pasture

- Clarke County, Iowa
- \*\*Harrison County, Missouri

Maryville-Greenfield Livestock

- \*\*Nodaway County, Missouri
- Adair County, Iowa

Southern Minnesota

- \*\* \*Steele County, Minnesota
- \*\* \*Cottonwood County, Minnesota
- \*McLeod County, Minnesota

LaCrosse-Dubuque Livestock

- \*\*Fayette County, Iowa
- Lafayette County, Wisconsin
- Winona County, Minnesota

Dairy Areas

Northeastern Ohio

- \*Wayne County, Ohio
- Medina County, Ohio

Lake Michigan

- \*Brown County, Wisconsin
- Jefferson County, Wisconsin
- \*\*McHenry County, Illinois
- \*Porter County, Indiana

East St. Louis

- Clinton County, Illinois
- Macoupin County, Illinois

General Farming Areas

Southeastern Ohio

- Muskingum County, Ohio
- Pike County, Ohio

Southeastern Indiana

- \*\*Jennings County, Indiana
- Ripley County, Indiana

Southwestern Missouri Plains

- \*Johnson County, Missouri
- Lawrence County, Missouri

Central Wisconsin-Minnesota

- Barron County, Wisconsin
- \*\*Morrison County, Minnesota

Red River Valley

- Stevens County, Minnesota
- Norman County, Minnesota

Missouri-Illinois Cotton Area

- \*\*Pemiscot County, Missouri

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\* Counties included in special study of mortgage terms.

\*\* Counties included in special study of resales.



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